

## REPORT FOLLOW-UP

**AGENCY: IDAHO INDUSTRIAL COMMISSION**

On December 9, 2005, the Legislative Services Office released a Management Report on Internal Control for the Idaho Industrial Commission for fiscal years 2002, 2003, 2004, and 2005. The Commission was contacted on March 24, 2006, and this follow-up report addresses how it has responded to the one finding and recommendation contained in that report.

**STATUS OF RECOMMENDATIONS:**

**FINDING #1** – The Industrial Administration Fund averaged \$5.9 million in excess cash each month during fiscal year 2005. Average monthly excess cash during fiscal years 2002, 2003, and 2004 was \$4.5 million, \$3.8 million, and \$4.4 million, respectively. The money in this fund is from a premium tax established in Idaho Code, Section 72-523. The premium tax is set at 2.5% of the net workers' compensation insurance written by sureties, and 2.5% of premium amounts self-insurers would be required to pay to the State Insurance Fund. Because the premium tax rate is fixed, management cannot adjust the rate to reduce excess cash or increase cash, as needed, without legislation.

The premium tax rate should be commensurate with the financial requirements for administering the Workers' Compensation Law and paying claims. Excess cash continues to accumulate, and insurers and ratepayers may be overcharged because management cannot adjust the premium tax rate in a timely manner to match cash needs.

**We recommended that the Commission monitor the fund's cash balance with the cash needs of the Commission, and propose recommendations to the legislature for appropriate adjustments, as needed.**

**AUDIT FOLLOW-UP** – The Commission met with the Division of Financial Services, who advised the Commission to provide a premium discount to insurers. However, the Attorney General's Office reviewed Idaho Code and determined there was not statutory authority for a premium discount. Subsequently, the Commission met with key legislators who deferred discussion of the matter until after completion of the 2006 legislative session. The Commission's fund balance at the end of March has increased to \$10.7 million. Since the Commission has more cash available, it plans to fill vacant positions that have intentionally been left open to save funds, upgrade the computer software, possibly contract computer programmers to help on internal projects, and increase staff training. **STATUS – CLOSED**